

EXHIBIT C



Puerto Rico

Oversight Board Certifies 2020 Fiscal Plan With Sharply Narrower Projected Surplus, Discusses Importance of Title III Exit

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Relevant Documents:

[Press Release](#)

[Certified 2020 Commonwealth Fiscal Plan](#)

During its 18th public meeting today, the PROMESA oversight board certified a [new fiscal plan](#) for the commonwealth government that projects an \$8 billion surplus available for debt service between 2020 and 2032, down 65% from the \$23 billion surplus projected during that time frame under the previous plan that was certified in May 2019.

Oversight board Executive Director Natalie Jaresko and oversight board members acknowledged the "severe" impact of the Covid-19 pandemic and recent natural disasters on Puerto Rico's economy and public finances but did not directly address how the new economic projections will impact on the [proposed commonwealth plan of adjustment](#). The oversight board officials championed the plan of adjustment proposal as an "important milestone" in Puerto Rico's efforts to exit bankruptcy and said the fiscal plan would be used "to determine next steps" in the process in discussions between the oversight board, the commonwealth, creditors and court appointed mediators.

During the meeting, Jaresko also announced that progress is being made in the commonwealth's public-private partnership program and said an important announcement is expected later this summer on the planned concession of the Puerto Rico Electric Power Authority's grid. Jaresko and legal counsel Jaime El Koury also discussed oversight efforts related to the commonwealth's contracting processes during the Covid-19 emergency and said the oversight board's contracts review office and policy would be expanded to bolster supervision in this area.

The oversight board officials concurred that progress has been made on making the commonwealth government more affordable and eliminating past deficit spending, but said that commonwealth officials have lacked the political will to enact sweeping reforms and fiscal adjustments that would transform government and spur economic growth.

The new fiscal plan, which factors in the economic impact of the Covid-19 pandemic, delays for a year [planned reductions](#) of commonwealth subsidies for island municipalities and the University of Puerto Rico, as well as budget reductions at commonwealth government agencies. However, the fiscal plan also contains a series of ongoing reforms that the commonwealth needs to execute in order to return to economic growth, according to the oversight board.

In an opening statement, oversight board Chairman José Carrión said that prior to the Covid-19 pandemic, Puerto Rico "seemed to be headed in the right direction" as the island showed signs of recovering from recent natural disasters. "Revenue and unemployment projections were promising, and with 60% of creditors behind the filed plan of adjustment, the end of bankruptcy for Puerto Rico and renewed opportunity for its people seemed within reach." However, he said the "worst public health crisis in 100 years" has changed that and requires the oversight board "to take a huge step back to analyze to the best of our abilities, the fiscal, social and economic effects of Covid-19 in order to find the most realistic and viable path forward as required by the law."

"It is simply not possible to say how long this crisis will last or what Puerto Rico's full recovery will look like, but it is imperative to have a plan in place and act on it to move forward and in the right direction," Carrión added.

Debt Restructuring

Jaresko reiterated that the [adjournment](#) of the Title III court processes around the plan of adjustment remains the right call during the Covid-19 crisis and declined to look ahead at potential impacts on the debt restructuring. She signaled that “advisor-to-advisor” and some direct communication between the oversight board and creditors is ongoing and cited a shared understanding on the importance of getting Puerto Rico out of Title III, adding that “it is going to require some effort in the new environment to identify that solution.”

Oversight board member David Skeel said the expanded [plan support agreement](#) reached in February – which incorporated deals with certain bondholders groups, unions and the official retirees committee – could still serve as the “starting point” for a renewed restructuring effort.

“In my view, as I’ve said before, the PSA was far from perfect, but the PSA had and has widespread creditor support. I believe that the framework of the PSA is still likely to be the best starting point for a confirmable plan of adjustment and that we need to turn back to it as soon as the current crisis eases,” he said.

Skeel expressed disappointment that a commonwealth debt restructuring may not be completed during his tenure on the oversight board but added that he has “not completely given up hope” that a plan of adjustment will be confirmed while he is still there. “But even if it isn’t, our job, in my view, is to leave as strong a foundation as possible so that the new board will be able to quickly finish the task.”

Skeel said that he “fully expected” Puerto Rico would have emerged from Title III by now were it not for hurricanes, the resignation of a governor, earthquakes and Covid-19.

“What is important is that Puerto Rico desperately needs to restructure its debt and move on. Most of the island’s creditors have not been paid in at least four years and at some point it’s only fair that creditors get paid at least part of what they are owed,” Skeel said. “Puerto Rico will not truly begin to recover and see the first glimmers of economic prosperity again until it emerges from Title III.”

Skeel pointed to PROMESA’s requirement that an oversight board will remain in place until the commonwealth posts four straight years of balanced budgets that include debt service. “So you, the people of Puerto Rico, also won’t be able to start dreaming of life without the oversight board until Puerto Rico emerges from Title III,” he said.

Oversight board member Judge Arthur González provided an update on the status of the commonwealth debt restructuring process that has been put on hold to focus on combating the Covid-19 crisis and echoed the importance of emerging from Title III. “Puerto Rico must turn the corner to allow businesses to invest, the economy to grow and the population to prosper,” Judge González said, adding his “hope that we can refocus our attention on the debt restructuring efforts sometime in the near future.”

Oversight board member José Ramón González said the fiscal plan’s structural reform requirements are “truly independent of future debt service, if any, for the commonwealth.”

Puerto Rico Fiscal Agency and Financial Advisory Authority Executive Director Omar Marrero, Gov. Wanda Vázquez’s nonvoting representative on the oversight board, also shed light on the administration’s debt restructuring views during his presentation of the government’s proposed fiscal plan.

Marrero said the government “strongly believes” that the oversight board, in light of the Covid-19 pandemic’s impact on macroeconomic assumptions, will have to reconsider a plan of adjustment that is “not feasible” and that “needs to be reevaluated and substantially revised.” He signaled that a reworked plan is “obviously subject to additional bondholder concessions” and improved relative treatment of public pensioners, adding that it should take into account “uncertainties” sparked by the Covid-19 pandemic and, among other things, the need to stem outmigration, curb poverty and “reinvest” in the island.

Marrero said it is “vital” for Puerto Rico to emerge from Title III “as quickly and efficiently as possible,” adding that “delaying indefinitely is not an option” as bankruptcy has “held Puerto Rico back.” He noted that in the past, the oversight board has proposed a “once and done” approach to Puerto Rico’s debt restructuring and said the commonwealth fully supports such an approach.

The AAFAF chief said that any remaining disagreements between the government and the oversight board over debt restructuring are “public policy issues” that likely can be “reconciled.”

Reforms and Fiscal Adjustments

During a press conference following the meeting, Jaresko outlined some of the “core misalignments” between the oversight board’s certified budget and the commonwealth proposal but said the commonwealth and oversight board reached consensus on about 90% of issues.

Jaresko said the commonwealth plan softened fiscal reforms and efficiency initiatives at government agencies and further delayed or eliminated required structural reforms. The commonwealth plan also assumed the inclusion of federal Medicaid funding beyond and would have diverted additional money to municipalities. The commonwealth plan also failed to include pension reductions and proposed increases in pension payments without identifying the funding.

Following the meeting, the oversight board released a copy of a [12-page letter](#) sent on March 13 to the governor that detailed “certain significant revisions and additional supporting information” required for the fiscal plan to be certified.

The oversight board noted that the new certified fiscal plan provides for a \$6 billion investment through 2025 in health care, public education, public safety and broadband technology. This investment will also fund an oversight board-commissioned study for the private sector and the government “to define a comprehensive and actionable plan to reactivate the manufacturing sector in Puerto Rico” and to create a \$750 million working capital fund to facilitate federally funded reconstruction efforts.

The oversight board cites the following initiatives as priorities under the 2020 fiscal plan:

- Puerto Rico Education Department: Implementation of a back to school plan, a time and attendance reporting policy for all employees, record daily student attendance, efficiently manage its student-teacher ratio by observing its own staffing policies, and generate savings through improved procurement and more transparent accounting.
- Puerto Rico Health Department: Focus on core health care services by saving money through centralized procurement of supplies across agencies and public hospitals, develop an action plan for telehealth, consolidate regional Medicaid offices, improve hospital management, and merge the Health Insurance Administration, or ASES, into the department.
- Puerto Rico Department of Public Safety: Move more officers from administrative positions to the field so they can better serve residents, and reduce overtime with better time management, fully consolidate the back office.
- Puerto Rico Department of Corrections and Rehabilitation: Generate savings through improved procurement and analyze the utilization of facilities given the decline in the prison population.
- Puerto Rico Department of Economic Development: Finalize the consolidation of the Puerto Rico Tourism Company and consolidate the Planning Board into the department, renegotiate procurement contracts, and publish quarterly reports of economic incentives.

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